

ISSUES

The Crypto Game is Just Getting Started

By Matt McCall and Charlie Shrem May 14, 2021

TABLE OF CONTENTS

With bitcoin tripling in the last six months and up nearly six-fold at one point in the last year, I'm hearing a lot of the same questions from both seasoned and potential crypto investors...

How far into this crypto bull market are we?

Is it too late to invest?

Are the best gains behind us?

These are important questions for any investment decision. The best gains come during the time of biggest growth, and that comes early.

When it comes to bitcoin and especially the newer and smaller altcoins, the answers are very encouraging.

The crypto bull market is still incredibly early.

It is not too late to invest.

And the best gains are actually still ahead of us.

Many factors give us high confidence in this analysis, and this month we will focus on three:

- The number of people currently investing in cryptocurrencies remains low.
- A lot of money continues to flow in.
- And perhaps most important, *governments* around the world are becoming increasingly interested in leveraging blockchain technology.

Add it all up and blockchain continues to transform the way we do things, providing solutions and efficiencies to virtually every economic sector. From the way we buy everyday goods and services to how we purchase a home, pay our taxes, vote, and even order a pizza.

And... we are still in the very early innings of this ballgame. We think the game has started, but we may still be in the first inning. There are plenty of opportunities still ahead, and we're adding a new one this month.

The Crowd Is Still Arriving

Go to any ballgame and you'll notice that a lot of people aren't in their seats when it starts. They are still arriving, getting food and drink, eating on the concourse, buying souvenirs, or just taking their time and socializing as they make their way in.

In investing, we can determine how many seats are yet to be filled by measuring market penetration. In this case, we will look at the number of current crypto investors versus the number of potential crypto investors.

During the previous crypto bull market cycles in 2013 and 2017, market penetration was incredibly low. There weren't as many ways to invest, so access to the market was a big limiting factor.

But that has changed dramatically in recent years, which is part of our bullish outlook. A number of new onramps make investing in the space so much easier. Square, Coinbase, PayPal, Binance.US, and many more have opened up that world up significantly.

Even so, market penetration is *still* low. We got more evidence of this just recently from Gemini, the U.S.-based crypto exchange started by well-known bitcoin billionaires

Cameron and Tyler Winklevoss.

As part of a survey called *2021: The State of U.S. Crypto Report*, Gemini talked to 3,000 investors and the “crypto-curious” – those who do not own cryptocurrencies yet but say they plan to soon or want to learn more. The results show that while an increasingly mainstream consumer base is engaging with cryptocurrencies, the number of actual investors remains very low. And remember, that’s even with the crypto market growing exponentially.

This is a very bullish sign. There are empty sits to be filled. Or to use another analogy, the onramps are built and traffic will start to pick up.

We’ve congratulated you before on your decision to invest in cryptos when so many others have not. This survey shows that we are still part of the early – and we would say smart – minority. That’s just fine with us. We’re in early when the big gains can be made. Our 375% average return in less than eight months is an indication of that, and we expect more to come.

According to Gemini, only 14% of survey participants currently invest in cryptos. That just sounds low, but to get the full picture, we need to compare it to the number of adults with stock investments. An April 2020 Gallup poll found that 55% of adults are invested in at least some stocks – so about 4X higher. Clearly there is room for upside here.

A lot of that growth will come from the younger folks in the 25-44 age demographic, which already makes up about 74% of current crypto holders. These folks are largely millennials, so they tend to be very comfortable in the digital world and better understand the blockchain technology behind cryptos. They are also now into or about to enter their peak earning years and have money to invest.

As these younger investors decide how to put their money to work for them, they are much more likely to choose cryptocurrencies than stocks, bonds, and money market accounts that earn nothing with interest rates so low.

Let’s talk now about the biggest group of all – the crypto-curious – which includes about 63% of U.S. adults. Younger folks are more of a certainty when it comes to crypto investing, so we consider this to be the most important demographic when determining

what innning the crypto bull market it is. These folks are interested but have yet to take the plunge, which means they will likely have the largest impact on the overall crypto market in the years ahead.

The Gemini survey also found that about 13% of U.S. adults – roughly 19 million people – plan to diversify into cryptos within the next 12 months. That would nearly double the number of crypto holders in the country. And if we figure that a large portion of the crypto-curious also start to buy, that number will only increase further.

Also note that this survey was U.S. adults only. Cryptocurrencies are clearly a global phenomenon. So if we apply these results on a global scale, we can see just how low market penetration is all over the world compared to the adult population.

There are roughly 2.2 billion people in the world between the ages of 25 and 44 – the primary demographic of crypto holders. It's a massive total addressable market.

But let's zoom out even further...

There are 7.7 billion people on the planet. Say half of those people have some sort of exposure to the stock market. That's about 3.8 *billion* people... with a "B." In January, there were 106 *million* total crypto users... with an "M."

We're not saying there will be 3.8 billion crypto investors soon, but that's 36X the current number. With even a portion of that, you can see the incredible upside here as new investors and fresh money enter the space in the future.

We're already on our way, and it gets easier to invest in cryptos almost by the day. There are tons of examples of cryptos becoming more mainstream all around of. One of the simplest to spot is in the Apple App Store.

The #1 app in the App Store's chart earlier this week was Coinbase, the best-known crypto exchange that just went public on the Nasdaq one month ago today. Let that sink in. It was the most popular app in the country – overtaking the likes of TikTok, YouTube, Facebook, Instagram, and even the popular trading app Robinhood.

That's incredible, but it's only the start of what's about to happen...

A Major Tipping Point

We mentioned earlier that governments have started to leverage blockchain technology. Yes, governments! They have been wary of blockchain for much of the industry's lifetime, but we see a significant shift under way.

The biggest example yet of governments employing blockchain just happened at the end of April. The European Investment Bank (EIB) launched a digital bond sale on the Ethereum network.

The bank issued two-year, 100-million-euro (\$120.8 million) digital bonds with 0% interest in collaboration with Goldman Sachs, Banco Santander, and Societe Generale. The bonds are available through a series of tokens registered on the Ethereum blockchain, where investors can purchase and pay for the tokens using traditional currency like the dollar or euro.

Wow.

When we talk about decentralized finance (DeFi), it has always been on the individual level. How individuals can “unbank” themselves from the traditional system and benefit from essentially building their own bank.

But in this case, we have an *actual government entity* issuing securities on a decentralized blockchain. The EIB is leveraging the efficiencies and security of DeFi rather than its own traditional centralized platform.

This is huge, as it boldly and publicly demonstrates DeFi's increasing credibility. It's the great crypto awakening we've been talking about. As adoption increases and more money flows in, altcoin prices will only continue to soar higher.

In fact, the EIB's announcement led to a parabolic move in Ethereum. The world's second-largest coin is up nearly 80% over the last month and 455% year-to-date. And considering a rising tide lifts all boats, a climbing Ethereum is great for **Polkadot (DOT)**, **Stellar Lumens (XLM)**, and **Uniswap (UNI)** – all of which are squarely positioned in the red-hot DeFi market.

The European Investment Bank made history as the first of its kind to step into the decentralized space, but it won't be the last. The recent ransomware attack on the Colonial oil pipeline is a sober reminder of how vulnerable centralization can be. Not only do decentralized platforms provide greater transparency, but they also offer far greater security as they are much more difficult to hack than their centralized counterparts.

In another move toward mainstream acceptance, UBS is the latest bank to respond to demand from its wealthier clients for exposure to digital assets. The Swiss firm is considering offering the ability to invest in cryptos through third-party vehicles. To shield them from the volatility risk associated with digital assets, UBS would limit its clients' exposure to a small portion of their total wealth.

Not to be overlooked, UBS also invested in a \$65 million fundraiser for ConsenSys, a software development firm that builds cryptocurrency-related infrastructure and is working to bring DeFi to traditional finance. It's the company behind the widely used MetaMask wallet that works easily with Uniswap. Its CEO, Joseph Lubin, is a co-founder of Ethereum.

UBS' investment is yet another example of big money flowing into crypto. And as one more example, we would point to Andreessen Horowitz, a venture capital firm looking to raise between \$800 million and \$1 billion for a new cryptocurrency fund.

It's yet to be seen if the firm will be able to raise that much, but its track record is pretty impressive – especially about knowing when to invest and what to invest in. Andreessen Horowitz was an early seed investor in Coinbase, which now commands a market cap of \$48 billion.

Andreessen Horowitz clearly thinks we are still in crypto's early stages. Would they invest a billion dollars in something they thought they were too late for?

We wouldn't either. And as you can see, the interest and money flowing into cryptocurrencies continues to grow. Whether you were in your seat before the game started or are just getting to it, we are still in the very early innings of this game. The National Anthem has only just been sung. So settle in and enjoy it!

It's Altcoins' Turn

Bitcoin remains the biggest and best-known cryptocurrency, as it should be. It started it all, and Charlie was there from the beginning.

It's no secret that bitcoin earned the bulk of gains in the first phase of the crypto market's surge. But we are entering a new phase in the evolution of cryptocurrencies – what we call “Bitcoin 2.0”...

And this era belongs to hypergrowth altcoins.

Take a look at the amazing chart below, which shows the growth in total altcoin market cap versus bitcoin's gains. Altcoins have outperformed bitcoin significantly since January – to the tune of 5X!



While bitcoin has traded in a relatively tight range the last few months after the big breakout last year and early in 2021, altcoins have surged and shown incredible relative strength.

The coins in our *Crypto Investor Network* portfolio are participating nicely.

The four coins we've owned since January – **Electroneum (ETN)**, **Polkadot (DOT)**, **Stellar Lumens (XLM)**, and **Uniswap (UNI)** – are all easily outperforming bitcoin. (We just bought **The Graph (GRT)** last month.) Bitcoin gained 75% in that time, and our altcoins climbed 237%, 387%, 425%, and 684%, respectively – a 433% gain on average, which is also nearly 6X bitcoin.



Those results speak for themselves. But we're far from done. In fact, our research over the last month has uncovered a brand-new opportunity in a coin that helps address one of the big issues of our time.

Let's turn to that now.

New Buy: XMR

How many times have you been warned that a website you frequent may have had a security breach that leaked your personal information?

Once? Five times? Maybe you got an email warning this week?

In the connected world that we live in... where data is constantly being sent from device to device, person to person, company to company... the need for security has never been greater.

Just this week, President Biden signed an executive order to improve U.S. cybersecurity in the wake of the attack that shut down the Colonial Pipeline, sending gas prices soaring and creating fuel shortages along the East Coast.

Blockchain technology addresses this urgent need. It provides the essential features of security along with nearly impossible-to-manipulate record keeping that are necessary to protect the data we share on a daily basis.

But it's not just data... in many cases we also need to protect our identities and personal information. And that's where the altcoin we're introducing you to today comes in.

Monero (XMR) is the top privacy-focused cryptocurrency in the industry built on the CryptoNote protocol – a secure, private, and untraceable currency system. It uses a special kind of cryptography that guarantees all of its transactions are 100% unlinkable and untraceable.

In other words, it's cash for a connected world. Monero is fast, private, and secure, basically allowing you to be your own bank. You can spend safely while being assured that others cannot see your balances or track your activity.

Your identity is 100% private. It cannot be hacked. It cannot be stolen. It can't even be seen.

Say you want to transfer your coins to another wallet address. Monero's technology sets up a completely random, brand new, one-time destination for you. That means there is no public record of the funds being received.

Plus, your "public" address doesn't actually appear on any public record. That makes Monero unique. Bitcoin and Ethereum operate on a public blockchain, so all transactions are visible and trackable. But with Monero, your public address is really a "stealth" address that is recorded in a way that only you – the recipient – can recognize.

Adding to its attractiveness is the fact that Monero has one of the lowest transaction fees of any cryptocurrency in the industry. It's currently at about \$0.05 per transaction. Compare that to bitcoin or Ethereum, whose fees are based on the activity of the network at the time of the transaction and can be upward of \$50+, and it's clear that Monero is a much better alternative.

The coin has traded well over the past year, including tripling so far here in 2021. It just hit its all-time high of \$497.19 on Monday and has pulled back about 15% in the last few days, giving us a chance to get in ahead of increasing adoption.



So would you prefer to spend more to have your transactions be public? Or spend less and have them be 100% safe and secure. We think it's a no brainer...

Buy XMR up to \$430. It can be purchased on the Voyager exchange. (Its [FAQ page](#) has some great information to help you set up your account.)

Updates on our Recommended Coins

Electroneum (ETN) has underperformed over the last month, steadily declining from \$0.03 to \$0.02. A penny may not sound like a lot, but this is a small coin, so it is

significant.

At the same time, Electroneum has traded down to what could be a near-term support level. With the altcoin sector as a whole due a bounce, we are watching Electroneum closely.



We are also watching the situation in Africa. One of Electroneum's strengths is providing various services to third-world countries there. However, a much bigger coin, Cardano, has now entered that market, and it could provide competition.

Hold ETN as we monitor both its trading and potential competition. The coin has done well for us, up 245% since September. We will let you know if and when it is time to make any changes.

Polkadot's (DOT) rally that brought it from near \$7 at the beginning of the year to above \$48 in April appears to have finally cooled off. The coin fell 40% in the week that followed that high, but we're pleased to see that it has recovered most of those losses since.

Polkadot climbed about 7% over the last month, as its price has persistently risen for the last 10 days or so. And news surrounding the crypto remains very positive with major news stories coming out practically every day.

For example, DeFi project Equilibrium raised \$8.5 million to launch a suite of services on the Polkadot blockchain. And a professional investment firm called Osprey Funds is preparing to launch a Polkadot Investment Trust. Decentralized exchanges (DEXs), including Polkaswap, are also starting to flock to its blockchain.

Polkadot remains a central hub for blockchain business and innovation, and we continue to believe it will be one of the most lucrative cryptocurrencies over the long term. With that upside in mind, **buy DOT up to a raised limit of \$41. The coin can be purchased on Kraken or Bittrex.**

Stellar Lumens (XLM) had a roller coaster month, rising from \$0.41 at the start of April to highs near \$0.70 in the middle before pulling back a week later. But the coin has ridden the recent crypto surge to climb all the way back to current prices near \$0.67. It's once again within sight of all-time highs.

Several big news items were announced since our last visit. First, Stellar and Visa are teaming up to offer digital assets in emerging markets and stablecoin payment systems to unbanked people. The partnership involves developing improved cross-border payment systems as well as fiat-to-crypto services.

It's also worth noting that a Swiss fintech company called 21Shares launched the first exchange-traded product (ETP) for Stellar. It has the potential to be a major breakthrough in increasing institutional investment in the crypto.

So with both the news and trading action surrounding the coin remaining positive, **continue to hold XLM and buy only on dips below a new limit of \$0.65. You can find it listed on Coinbase.**

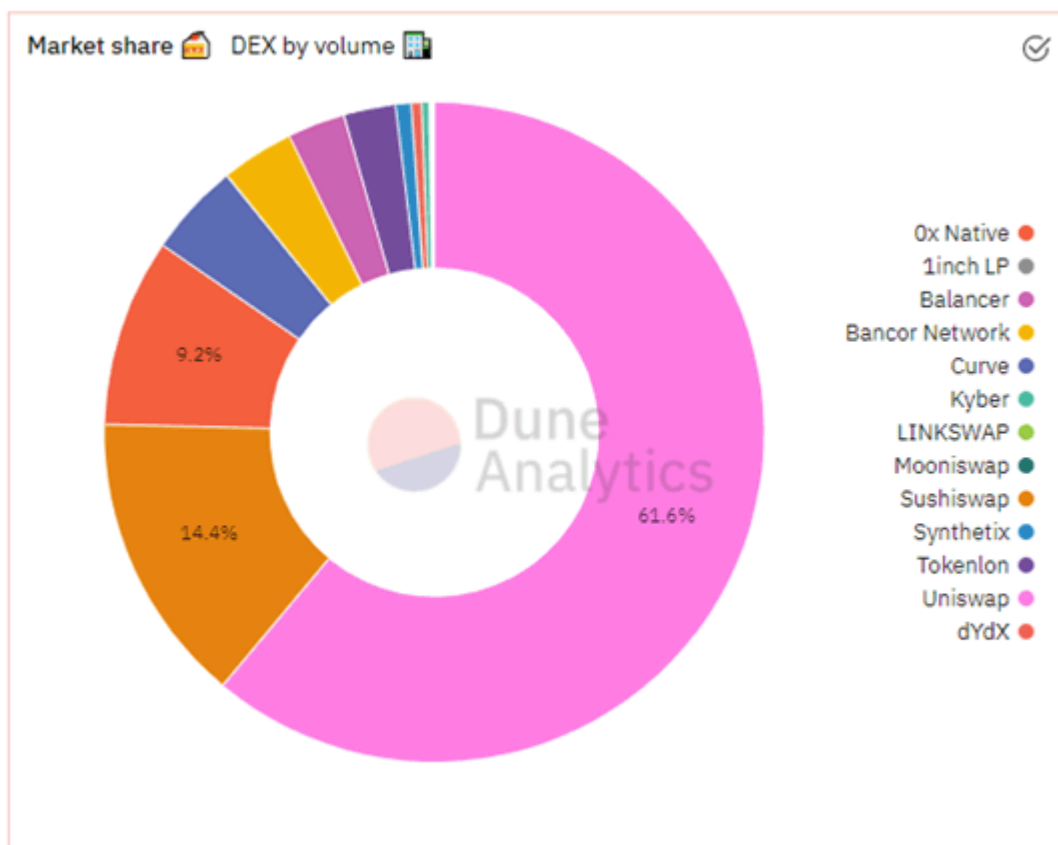
The Graph (GRT) has taken a breather after its incredible rally to start the year. The coin attempted to get off to a fast start for us, climbing to highs above \$2.15 by the middle of April. But it has since pulled back below \$1.40 and is down about 22% for us overall.

Despite the recent action, the news surrounding the crypto remains positive. The most important item to note is that The Graph's mainnet is becoming fully active. In the past, projects ran on The Graph's hosted server. But now they are beginning to migrate to the crypto's decentralized blockchain. At the end of April, 10 projects had made the

migration, including Audius, DODO, Enzyme Finance, Gnosis, Livepeer, mStable, Oryn, PoolTogether, Reflexer, and UMA.

The Graph remains a truly unique cryptocurrency, and we continue to like its long-term potential as the “Google of the Blockchain.” **Take advantage of the opportunity to buy GRT below \$1.90. The coin can be purchased on Coinbase.**

Uniswap (UNI) has kept on rallying. It’s up 13% over the last month and touched a new all-time high just under \$45 last week. The strength isn’t surprising considering how much money is pouring into DEXs and DeFi – and Uniswap commands a major presence in the space with more than 61% market share by volume.



One of the hottest crazes in the market right now is initial DEX offerings (IDOs), where a new coin is launched on a decentralized exchange. These coins tend to rise tremendously in value... even if they have zero merit, to be honest.

Uniswap is one of the central hubs of IDOs and token offerings in general. Token offerings might even be more popular now than they were during the initial coin offering (ICO) craze of 2017.

As for headlines, Uniswap Version 3 just launched. It promises increased capabilities that will further enhance all of the tokens, traders, and businesses that rely on Uniswap. Plus, the crypto's trading volumes to continue to hit record levels despite shockingly high fees, which is a testament to how popular and useful Uniswap is.

All of that makes this coin an obvious hot pick right now, especially as there are no indications that the DEX and DeFi boom will slow down anytime soon. **UNI is a buy only on dips below a revised \$35 limit. Like several of its peers, the coin can be bought on Coinbase.**

Another Crypto Catalyst

The stock market suffered its worst day since January on Tuesday, and the trigger was hotter-than-expected inflation.

We talked earlier about the big money flowing into bitcoin and cryptocurrencies to make more money. Increasingly, bitcoin is now also being seen as a safe haven asset by people with money.

That's a sea change that has the potential to send bitcoin to \$100,000 and beyond... and drive our altcoins even higher along the way.

The folks getting into bitcoin now are the people with money who own most of the wealth around the world.

We are seeing a seismic shift in the way the world's elite store and protect their wealth right before our eyes. These conservative investors are worried that massive government spending will also create massive inflation.

More and more, they no longer see gold as their best defense. The new safe haven asset is bitcoin.

In a world where the most valuable companies produce digital and virtual products – think Netflix, Amazon, Alphabet – is it any surprise that people with money are choosing a digital, virtual currency as their safe haven?

One big reason is because of the way bitcoin is structured. There will only ever be 21 million bitcoins. Period. There will never be an infinite number of bitcoins created, like we're seeing with U.S. dollars. That makes it a great store of value in addition to its potential for big returns.

As big money continues to build up their bitcoin stake, we expect the price will move steadily higher. That's just another reason why now is a great time to invest in our favorite altcoins that we expect will continue to perform even better.

Sincerely,



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